

CHAPTER 9

The Functions of Accounting Revisited – New Meanings and Directions

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Abstract

This chapter reviews various meanings ascribed to accounting and the ways in which it functions. The targeted time period for the review commences from the publication of Mellemvik's et al. article in 1988. The chapter contains a conceptual discussion on accounting and its functions and urgently calls for more research in this area. The main findings suggest that, while many functions identified by Mellemvik et al. (1988) still persist today, more complex images have come into existence recently, such as a stabilizing mechanism, translation of interests into "facts", a mediation process, a displacement mechanism, cultural carrier and a way of constraining organizational functioning. The chapter proposes some fruitful areas for further research.

Introduction

Much is known and much is not known about accounting (Chambers 1980, Hopwood 2005), suggesting that it is an ill-defined phenomenon (Kam 1990, Townley 1995), with the meanings varying with the context (see e.g. Mellemvik 1997, Solli and Jönsson 1997). Some claim that accounting is, or should be, neutral (Solomons 1991), while others (Tinker 1991, Wolk et al. 2004, Zeff 1978) see it as having economic consequences. In some situations, it is used actively, such as by the financial press and analysts. Others, for example politicians, have been found to be more interested in budgets than in accounting. This multiplicity of meanings and viewpoints has sparked off various research contributions, purporting to illuminate the ways in which accounting functions.

Some argue that accounting should incorporate primarily control and decision-making, which are referred to as its intended functions (Mellemvik et al. 1988). Others debate the extent to which there is actually a distinction between the two (Pallot 1992). Yet, accounting in action also serves other func-

tions, including its ability to create and sustain myths, legitimacy and power (Mellemvik et al. 1988). Furthermore, accounting can be regarded as history, economics, information, language, rhetoric, politics, mythology, magic, disciplined control, ideology, domination and exploitation (Morgan 1988). Thus, accounting is more complex than previously assumed and can be understood in many and diverse ways (Mellemvik 1997). Many researchers have written about the functions of accounting by relying on diverse concepts. Within more narrowly defined accounting areas it is possible to find several review studies, but not explicitly targeting the functions of accounting, except for Mellemvik et al. (1988) – 25 years ago.

As a result, what we know, on an aggregated level, about the functions of accounting and the directions this research is now taking is still puzzling. This is the rationale for undertaking a review study that addresses the following research question: What functions are associated with accounting in the research literature, and what directions does this research take? The chapter, therefore, seeks to contribute to the existing body of accounting research by unveiling new images and meanings of accounting that have come to light recently. We also add to the literature by uncovering nascent research directions into the functions of accounting.

While looking for articles in databases, we searched the articles for information provided in the abstract, the key words and the title in the following four databases: Elsevier (science Direct), Emerald, Wiley Online Library and Taylor and Francis Online. As an extension of the review study by Mellemvik et al. (1988), the time period for our review started from 1988 and continued until 2013. We applied these key words while searching: accounting role, purpose, function, intended and unintended consequences, images of accounting and accounting metaphor.

The rest of the chapter is organized as follows. The results of the literature review are presented in Section Two. The discussion follows in Section Three, before the article ends with the conclusions in Section Four.

Literature review

In our search for articles on the functions of accounting, only the article by Mellemvik et al. (1988) turned up as a review study. Thus, we start by appraising that article, before moving on to individual studies and review articles that cover some aspects of the functions of accounting.

Mellemvik, Monsen and Olson (1988) – the point of departure

Mellemvik et al. (1988) make a distinction between intended functions of accounting and (how) accounting (functions) in action. The intended functions encompass the following two-fold accounting objectives: the reduction of uncertainty in regard to decision-making and the reduction of uncertainty

for accountability purposes. These two functions depict how accounting is assumed to function and are principally confined to financial accounting (Mellemvik et al. 1988). However, as many studies have concluded, accounting does not function according to the prescriptions in the normative accounting literature. Hence, accounting in action is associated with a set of other functions, including “delegation of responsibility and evaluation”, “legitimization”, “myths”, “power” and “conflicts”.

Mellemvik et al. (1988) reached three overall conclusions. First, there are a variety of functions associated with accounting. Second, there is a reciprocal relation between accounting and its functions. Third, there is a complex relationship between accounting and its context. One illustration of this complexity is found in the way decision-makers vary in their interpretations of accounting information. For this reason, a new accounting rule may reduce the uncertainty of one decision-maker, but heighten uncertainty for another decision-maker (Mellemvik et al. 1988).

Functions of accounting reported in individual studies

Based on a literature review, Socea (2012) seeks to assess the role that financial accounting information plays in managerial decision-making. Her findings are well in line with the intended functions of accounting identified by Mellemvik et al. (1988). However, Socea urges researchers to devote more attention to the predictive power of financial accounting and its implications for the decision-making process. Mellemvik (1997) describes the dialogues on the subject of finance between a Norwegian local government and its financial supporters. Although the comprehension of accounting may be harmonious from the viewpoint of one individual, this harmony vanishes with the number of individuals being involved and in heterogeneous contexts. Accounting can therefore be viewed as a hidden collage since each individual holds a unique and fragmented understanding of accounting. Busch (1997) studies the complexities of accounting use by developing a conceptual framework for learning how accounts may affect the behavior of employees. He accentuates the need for accounting to be rooted in the cognitive structures of individuals participating in problem-solving. Investigations into those structures may yield insight into the financial management in a particular firm, and possibly into the way accounting is embedded in it. All functions unraveled by Mellemvik et al. (1988) may be incorporated in studies of accounting’s function in relation to the management process (Busch 1997).

Cheffi and Beldi (2012) investigate the use of management accounting by those managers whose background is not within the domain of accounting. They conclude that accounting is used much more for legitimizing actions than for decision-making (but become an important decision-making tool in the case of financial difficulties). A similar conclusion is made by Timoshenko (2006, 2008) in his studies of the Russian public sector accounting. The evi-

dence suggests that a new Russian public sector ideology has markedly been affected by overseas developments in the shape of large international organizations. However, no compelling evidence has revealed that changes at the macro-level have significantly penetrated local levels. Thus, launching a new version of accounting by the Russian state can be regarded as more of a symbol of legitimacy for the university than an actual financial management tool. Adhikari (2005) shows that the case of Nepal was to a large extent reminiscent of Russia in the sense that accounting reforms in these two countries had been very much influenced by international organizations regarding the NPM trend in general and accrual accounting in particular. Kuruppu (2010) examines accounting and budgeting reforms, the processes behind those changes and the nature of accountability relations in Sri Lanka commencing from 1972 up to the present time. In line with Timoshenko (2006) and Adhikari (2005), Kuruppu (2010) stresses the image of accounting as a symbol of legitimacy, stemming from the country's dependence upon international aid. In addition, accounting in Sri Lanka played a significant role in politicians gaining control over bureaucracy. For instance, the adoption of program budgeting in the 1970s enabled the country's politicians to force bureaucracy to abide by the will of politicians.

In an ethnographic study concerning the introduction of local financial management into a police force, Collier (2001) regards accounting as a powerful device for loose coupling between legitimizing and technical processes. Particularly, devolved budgets help to reconcile the interests of those pursuing legitimation and those pursuing technical work activities. Additionally, the rational, closed world of the budget was found to be loosely coupled with the natural, open world of policing. In their study of system changes, Axelsson et al. (2002) point out that management accounting systems can act as strong enablers, but also impediments to the development of purchasing and supply management.

Agndal and Nilsson (2009) endeavor to reveal how and when suppliers and buyers jointly utilize suppliers' management accounting for interorganizational cost management (IOCM) purposes in the exchange process. The authors explore three buyer-supplier relationships and unveil significant heterogeneities in IOCM practices between six main activities in the exchange process. Whereas the most profound use of suppliers' management accounting is documented in earlier activities in the exchange process (that is, supplier selection, joint product design and joint manufacturing process development), suppliers' management accounting tends to play a minor role in later activities in the process (that is, full-speed production and product and manufacturing process redesign).

Oguri (2005) relies on Marxian economics to analyze the functions of accounting. In addition to the function of recognition and control, accounting is argued to play the significant role in promoting the movement of capital and

in proliferating the interests of capitalists. This is what is coined the accounting function of mediating the economic process. Whereas neoclassical economics is silent on the value of accounting, Marxian economics treats accounting as the indispensable part of the economic cost incurred to capitalists. By emphasizing the mediating function of accounting, Oguri explains why accounting in action tends to generate distorted results rather than a purely neutral and impartial reflection of reality.

Gårseth–Nesbakk (2011) discusses the development of an accrual accounting model at central government level in Norway. The concept of autopoiesis is drawn upon to unravel the rationale behind the accounting development. It reflects a duality of accounting functions via a partially closed and partially open system orientation. On the one hand, the new accrual accounting model functions as a preservation of the past (history, traditions, etc.) and ensures control of the appropriation and spending levels. This is displayed in the accounting model by a series of idiosyncratic credit entries. Conversely, the new accounting model also connects with international accounting models and development through the way of accounting for debit entries. The latter is meant to facilitate the decision-making function of accounting. Finally, the connection with past traditions and mindset in terms of what is appropriate – and the intentions with the public sector – adds to the functions of accounting in action by embedding the accounting model within the social and institutional context in which it is situated. Despite introducing a new accrual accounting model, the central government level in Norway is still applying a modified cash accounting principle as its main bookkeeping principle (Gårseth–Nesbakk 2007). This is preferred because it is easy to understand for decision-makers and well equipped for monitoring the cash flows (Ministry of Finance 2003). Effectively this means that the modified cash accounting principle in Norway seeks to serve the intended functions of accounting, namely to aid decision-making and control activities.

Accounting review studies on the functions of accounting

Different accounting review studies address the functions of accounting in one way or another. Some review studies comprise experimental research in accounting (Libby et al. 2002, Sprinkle 2003). While discussing experimental research in managerial accounting, Sprinkle (2003) depicts managerial accounting as having two critical roles, namely decision-influencing and decision-facilitating. Essentially, the decision-influencing role deals with ex-post control (seeking to solve organizational control problems), whereas decision-facilitating focuses on ex-ante decision-making. Still, the decision-facilitating role might incorporate information about the past, making accounting information an input to various judgments and decisions to be made, “*with the ultimate goal of improving future performance*” (Sprinkle 2003, 302). Libby et al. (2002) focus on behavioral and experimental research in financial accounting. As a part

of their discussion, they address how users interpret accounting reports, herein how accounting methods and disclosure alternatives affect earnings predictions and value estimates of investors. They also consider what influences analysts' forecast and how they influence others. The review and discussion by Libby et al. (2002) points to different ways in which users' attention is deliberately displaced. Examples include how users are influenced by the way accounting information is reported, for example, where it is located or what it is called. This is then (potentially) taken advantage of by those preparing the accounts or otherwise are in a position to influence the information in the accounts. Hence, decision-makers are not seen as rational or competent individuals, as upheld in the mainstream accounting research literature (see Young 2006). Therefore, even modest adjustments to the accounting disclosure could displace the accounting users' focus, and thus impact on their analysis and decisions.

Baxter and Chua (2003) review studies published in *Accounting, Organizations and Society* during 1976–1999, searching for contributions made by researchers applying alternative management accounting research. While reviewing literature under the category of the non-rational design school, Baxter and Chua (2003, 98) point to the following finding in the literature: “*management accounting information systems unduly constrain organizational functioning, particularly learning in and about organizations.*” Other functions that they name include the ways in which accounting functions as stabilizers (i.e., a stabilizing mechanism, standardizing thinking and action) and as a coercive mechanism (by limiting choice processes and legitimating enabling conditions – such as culture and power within organizations). Baxter and Chua (2003, 99) also come across studies representing a radical accounting orientation, highlighting: “*how the practice of management accounting is implicated in the creation and perpetuation of an unequal society*”. Baxter and Chua (2003) furthermore discuss the significance of institutional theory in providing accounting with different functions, including serving as rational myths with respect to either a technical or an institutional (e.g., legal, professional and regulatory) environment. Moreover, “*the form that management accounting practices assume is influenced by the complexities of these multiple constructions of the environment and the expectations that they convey*” (Baxter and Chua 2003, 100). While discussing studies applying structuration theory, Baxter and Chua (2003, 101) find that “*accounting systems are seen as ways of regularizing organizational functioning*”. When presenting a Foucauldian accounting research approach, Baxter and Chua (2003, 101) state that accounting can serve to bring about new calculable spaces, triggering new sorts of organizational “*discourses about ‘flexibility’, ‘modernity’, ‘world-class’, ‘quality’*”, etc. A Latourian approach to accounting studies has often underscored translations of interests (political or other kinds) into “facts” (Baxter and Chua 2003).

Some of the review studies we have considered do not contain any method section, making it difficult to know the detailed choices made in the literature review. In such instances, we have entered N/A in the table below.

Table 9.1 An overview of functions identified in review articles

Publication	Publication outlet (journal)	Authors' country location	Years being reviewed
Baxter and Chua (2003)	AOS	Australia	Intra journal review (AOS during 1976–1999)
Sprinkle (2003)	AOS	USA	N/A
Libby, Bloomfield and Nelson (2002)	AOS	USA	1995–2001

Publication	Topic being reviewed	Identified functions	Source of inspiration
Baxter and Chua (2003)	Alternative management accounting research (interpretive, critical and postmodern turns)	<ul style="list-style-type: none"> – Constrain organizational functioning – Stabilizing mechanism – Coercive – Rational myths – Translation of interests into “facts” 	Hedberg and Jönsson Cooper, Hayes and Wolf Latour
Sprinkle (2003)	Managerial accounting	<ul style="list-style-type: none"> – Decision-influencing – Decision-facilitating 	Experimental research (various contributors)
Libby, Bloomfield and Nelson (2002)	Financial accounting	<ul style="list-style-type: none"> – Displacement (of attention, analysis and decisions) 	Behavioral and experimental research

Discussion

A conceptual discussion of “functions”

Most of the studies that we have reviewed do not explicitly address what is meant by the accounting function concept. There is, therefore, a need for a conceptual discussion as to what is meant by *a function*. We start off with a technical meaning, as found in a dictionary:

“An activity that is natural to or the purpose of a person or thing.” (Soanes and Hawker 2008, 407)

As such, the definition above accentuates the intended function only, neglecting in this way unintended functions or what Mellemvik et al. (1988) referred

to as functions in action. Still, even if we add that functions also refer to unintended consequences, or the way something actually works in practice, it is still a hazy concept. One way to approach the obscure function concept is through considering how accounting may be defined or conceptualized. Mellemvik et al. (2005) present a model of accounting and particularly its developing process, that is, how accounting is formed and comes about, situated in an institutional environment of various influential sources. The model centers on two activities: practice and use, that is, how accounting is formed and developed in practice and how it is used. In addition, norms are an indispensable part of the accounting developing process, whereby accounting rules, standards, recommendations, expectations, etc., together with accounting theory, provide a normative influence on what accounting practitioners should focus on and adhere to. Furthermore, the model below suggests that norms may impact on practice and vice versa, and the same may occur with practice and use. The model also implies that norms may be developed independently of other sources of influence, and that this applies equally to both practice and use. Finally, it is assumed that the environment of accounting may affect the aforementioned accounting activities/elements and relations.

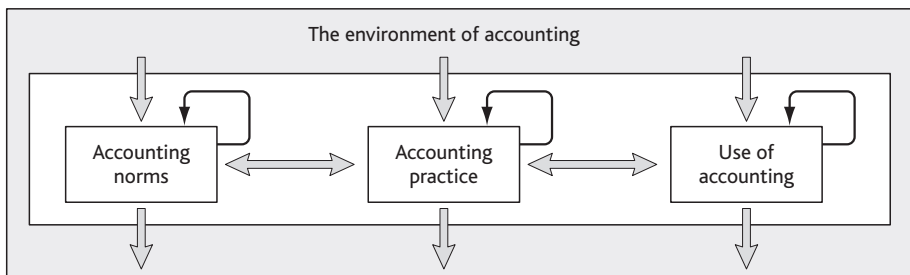


Figure 9.1 The accounting developing process (adopted from Mellemvik et al., 2005: 313)

By regarding functions as an activity, we would, technically speaking, expect the functions of accounting to be chiefly related to the accounting practice and use. From the description and discussion by Mellemvik et al. (1988), at least when it comes to the intended functions, they seem to relate primarily to the user dimension as displayed in Figure 9.1. However, while discussing legitimation, Mellemvik et al. (1988) relate this function to both the use dimension (by means of displaying reports to others to justify their results or activities) as well as to the accounting norm dimension by arguing that accounting principles and standards are often subject to a political process and lobbying effort. In such a way, a function can be related to all the three dimensions of accounting, as depicted in Figure 9.1.

There are still other issues to be addressed with respect to the way the function concept can be understood. For instance, what attributes does the func-

tion concept provide to accounting? Do functions represent accounting as an (inanimate) object or is to be regarded as a subject, that is, as an actor making the changes? From the discussion made by Mellemvik et al. (1988), it appears that (also) the functions in action are regarded as an object (which works in unpredictable ways). Yet, while working in unpredictable ways, accounting transcends from an intermediary to a mediator and will thereby most likely bring about a number of controversies (if applying a Latourian perspective, see e.g., Latour 2005). Oguri (2005) provides a similar reasoning, arguing that accounting has two main functions, namely the function of recognition and control of the economic process and the function of mediating the metamorphosis of economic value. Especially the mediating function helps explain why accounting in action often deviates from its intended functions (Oguri 2005). Moreover, Oguri (2005) pins accounting to two focal points. These are the accounting measurement and institution of accounting. Comparing this to Figure 9.1, the accounting measurement is another view of accounting practice, whereas the institution of accounting is very close to the accounting norms dimension. As a result, Oguri (2005) is in effect problematizing the transition from the norms to the practice, and calls upon the mediation function to explain why this becomes problematic and leads to many controversies. One interpretation of Oguri (2005) applied to the accounting concept as norms, practice and use (see Figure 9.1) is therefore that the simple transition or influence as depicted by an arrow between the different accounting dimensions (e.g., from accounting norms to accounting practice) is overly simplified. These arrows do effectively contain very complicated translation processes, bringing us again back to a Latourian perspective (e.g., Latour 2005): What may appear to be simple facts and informational elements taken for granted might turn into matters of concern as actors exert their influence and not only interpret, but also challenge the accounting norms that are taken for granted.

Furthermore, it is possible to problematize the function concept also with respect to the geographical dispersion and frequency of the functions. Thus, one might ask to what extent accounting functions are general, if not even global phenomena, or strictly local, deeply embedded in unique contexts, making them difficult to generalize? This paradox arises implicitly out of the article by Mellemvik et al. (1988). On the one hand, the functions of accounting are argued to be a contextual phenomenon, that is, something that forms its own context as well as being formed by the context. On the other hand, the functions are described and made out to be, at least seemingly, a general phenomenon, whereby myths, power and legitimization can be expected to be found in many places, as general traits of accounting. This begs the question: What is it that makes accounting durable, also with respect to its functions, and still dynamic? Rather than offering the answer to this question we make this an issue for further research to sort out, since it requires a more extensive discussion that is not possible to include in this chapter due to space constraints.

There is also the question of whether there is a difference between the functions of financial accounting versus management accounting. Mellemvik et al. (1988) relate the functions of accounting primarily to financial accounting. This is especially the case with the intended functions since Mellemvik et al. (1988) relate the control and decision-making functions to the (formally outlined) objectives of accounting. Sprinkle (2003) considers accounting to have two main roles, namely decision-influencing and decision-facilitating. From the description, it is clear that the concept of accounting roles is equivalent to the function concept. Moreover, decision-influencing appears as a synonym for the control function, whereas decision-facilitating is another way of coining the decision-making function of accounting. As such, this also illustrates that there are variations on a theme with respect to what functions are nicknamed in the accounting research literature.

Reinforcing established functions

In our search for functions we have found many similar to those identified by Mellemvik et al. (1988). Indeed, numerous studies address the intended functions of accounting, namely decision-making and control (as illustrated by Sprinkle, 2003 and our later discussion in the chapter about open access journals). As far as functions in action are concerned, we have observed that power, legitimation, rituals and myths are examined by different researchers. This fits well with Mellemvik et al. (1988). To illustrate, the international trend of introducing accrual accounting into the public sector domain has been coined a symbol of legitimacy (Adhikari 2005, Timoshenko 2006), or a way to seize or alter *power relations* through changing the formal accountability structures (e.g., Kuruppu 2010).

New meanings and directions

New functions and meanings

Mellemvik et al. (1988) exemplify how accounting in action is heavily contextually embedded, but do not elaborate in greater detail on how this influences the accounting solutions (i.e., the norms and practices). This is delineated in more recent studies. For example, Gårseth-Nesbakk (2011) discusses how accounting has the tremendously difficult task of both incorporating ideas of improvements into the accounting model, thereby keeping the organization updated on ongoing developments, and at the same time preserving the peculiarities of the organization. In a sense this means that the accounting model partly functions as a fortification mechanism of cultural and organizational beliefs about how things ought to be. By incorporating these ideas into the accounting model, they are rendered alive and dynamic and are hence forced to become a matter of ongoing concern and discussions. Thus, accounting can be seen as a cultural carrier and reinforcing mechanism. On the other hand, by means of relating to the environment and partially adjusting the account-

ing solutions accordingly, accounting also functions as an identity developing mechanism (Gårseth–Nesbakk 2011) and a tool for boosting employees' motivation (Gårseth–Nesbakk 2007).

The review also illuminates new ways of conceptualizing the functions of accounting from what can be nicknamed the institutional view, heavily influenced by, to use Latour's words, "the sociology of the social" (Latour 2005), and toward a "sociology of associations" (Latour 2005). This represents a significant shift in the way we can interpret and theorize the functions of accounting: "the sociology of the social" portrays a more stable and permanent view of the functions whereas the "sociology of associations" denotes a dynamic and unstable way of viewing the functions of accounting. The discussion of accounting as a mediation process (Oguri 2005) furthermore complements this new approach to researching the ways in which accounting functions in practice. Thus, given the novelty of this research stance, more research is warranted on the ways in which accounting translates action and brings about controversies and changes. Such an approach would expand, if not alter, the more stable and fixed view of the functions of accounting.

New directions – the role of open access journals and how to study accounting use

A new trend is the emergence of open access journals (henceforth abbreviated OAJs). The content of these journals may differ from that of established journals because the majority of OJAs are newly incepted, but also organized differently, compared to traditional subscription-based journals. The table below displays two⁶⁸ illustrative OAJs. In the table below, we briefly overview and subsequently discuss the content and topics of the publications in these two journals.

The majority of the articles in the *Open Journal of Accounting* are within mainstream accounting research, rooted in the positivistic paradigm. These articles often view accounting as a measuring instrument designed to provide true measures of reality and intended to assist in decision-making processes. The most recent topics include, but are not limited to, the impact of firm-specific factors on profitability of companies (Bhutta and Hasan 2013); depreciation (Lawrence and Okechukwu 2013); applying information technology to financial statement analysis for market capitalization prediction (Wimmer and Rada 2013) and the design of cost estimating models (Challal and Tkiouat 2013).

68 We examined more OAJs, but decided against incorporating these illustrations into the manuscript due to word limitations. Nonetheless, the same tendency of article content is found in these other OAJs that we examined.

Table 9.2 Illustrative OAJs in accounting

Journal name	Abbreviation	Start up year	Aim and scope
Open Journal of Accounting	OJA	2012	Wide range of areas and topics
Journal of Accounting and Auditing: Research and Practice	JAARP	2012	Aims to publish high quality significant original research, expert analyses, new case studies, and reviews in accounting and auditing

The *Journal of Accounting and Auditing: Research and Practice* also promotes, to a large extent, mainstream accounting research. The latest issues of this journal include topics such as quantifying and accounting for environmental costs by the avoidance cost's method (Tijani and Hamadi 2013); intangible assets (Fadur et al. 2013); incentive problems of the disclosure of a so-called valuation allowance of deferred taxes (Haaker and Bull 2012); factors influencing audit technology acceptance by audit firms (Rosli et al. 2012); accounting reporting in banks (Mubarak 2012); fraud auditing (Mironiuc et al. 2012); and ABC adoption and implementation (Fadzil and Rababah 2012). Whereas most of the mentioned studies are purely quantitative in the nature, the latter research on ABC adoption and implementation partially relies on semi-structured interviews, seeking to identify factors impacting the adoption and implementation of ABC in the context of Jordanian manufacturing companies. Identified factors include: fashion, forced decision, fad and efficiency (Fadzil and Rababah 2012).

Having said that, there is a clear demarcation between the well-established subscription (payment) based journals and the nascent OAJs in the way they address the functions of accounting. The former (e.g., *Critical Perspectives on Accounting; Accounting, Organizations and Society*) strive to unveil new meanings and images of accounting. This search goes far beyond the intended functions. Conversely, the aforementioned OAJs do not explicitly highlight the functions of accounting and are methodologically rooted within the positivistic accounting research. As such they primarily serve to reinforce mainstream accounting, including traditional views on the decision-making function, and virtually ignore more complex unraveling of how accounting functions in action within specific contexts.

A prime example of the need to question the basic assumptions in accounting is found in *Accounting, Organizations and Society*, where a research stance points to the need to rethink the way we theorize the (intended) decision-making function of accounting. The way accounting is used in practice is quite different from the dominating mainstream views about accounting users and uses (Hall 2010, Jönsson 1998, Young 2006). This also suggests that research-

ers must reconsider how they design their studies to capture the “accounting use” phenomenon more accurately and realistically. Essentially they argue that accounting is not used in the assumed rational way, but rather in a more pragmatic and time-efficient way for decision-makers in practice.

Conclusions

In this chapter we have reviewed the functions of accounting. Our review has shown that many of the functions identified by Mellemvik et al. (1988) still prevail – 25 years later. Yet, we set out to identify new research directions and meanings relating to the functions of accounting. The following list informs us about the ways in which accounting functions in practice, comprising elements such as a stabilizing mechanism, translation of interests into “facts”, a mediation process, displacement mechanism, cultural carrier and a way of constraining organizational functioning. We acknowledge nevertheless that some functions may be interpreted differently, also with the result that they may partially overlap with the list of functions provided by Mellemvik et al. (1988). Nonetheless, our findings reinforce the view of Mellemvik et al. (1988) that accounting is complicated.

The review also depicts the directions that research into the functions of accounting is currently taking. Accounting studies dealing explicitly with the functions of accounting have shown no (clear tendencies of an) increase over time. We find this to be worrisome since there has been an explosion recently in the number of journals and articles published every year on various accounting themes. Thus, a relatively smaller proportion of accounting studies is concerned nowadays with unraveling the complexity of accounting with respect to figuring out whether accounting functions in the intended way. Our findings suggest that this trend is exacerbated with the emerging trend and growth of OAJs within the accounting field. These journals are dominated by a mainstream research orientation that seldom embarks on sorting out the functions of accounting in action.

Another direction of research, relating to the functions, revisits the core of accounting literature, namely the way we theorize about the decision-making function of accounting. Hall (2010), Jönsson (1998) and Young (2006) advise researchers to rethink the ways in which accounting is used in practice – with reference to the intended functions of accounting. Similarly, researchers must reconsider how they design their studies to capture the “accounting use” phenomenon more accurately and realistically. This is a task for further research.

There is also an urgent need to continue an exploration of the variety of types of accounting functions. An ignored accounting issue concerns the durability and stability of the functions (of accounting). For instance, in organizations where the power function of accounting is supposedly present, is this something that sustains over time or is it only a temporary phenomenon?

Moreover, what kinds of devices and controversies weaken or strengthen accounting, through social interaction, leading us to infer the creation or demolition of the power function? Similarly, is the function of accounting as a “myth” primarily a short-term effect or is it a sustainable function also in the long run? If the myth function is only a short-term phenomenon – such as in the case of Enron (Chabrak and Daidj 2007) – then more research is warranted on the ways in which the perception of a myth is nurtured and brought to an end. Finally, based on the discussion in this chapter, we offer the following research puzzle to future research efforts on the functions of accounting: Are the functions globally dispersed or purely local, contextually embedded phenomena? Are the functions “in fact” the same in the private, public or the third sector? What roles do cultural differences across countries play in this regard? Moreover, what is it that makes accounting durable, also with respect to its functions, and still dynamic? If presumably they are not dynamic, how can we argue that the functions of accounting are contextually embedded, unless we argue that accounting contexts never change?

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